1 1 2 3 UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK 4 5 JOHN L. EDMONDS, et al., б Plaintiff, 7 Case No. - against -08-CV-5648 (HB) 8 ROBERT W. SEAVEY, et al., 9 Defendants. 10 11 April 22, 2009 12 10:15 a.m. 13 14 15 16 DEPOSITION of ADAM M. PRYCE, taken by 17 the Parties, pursuant to Subpoena, held at the offices of Herrick, Feinstein, LLP, 2 Park 18 19 Avenue, New York, New York 10016, before Donna 20 A. Metz, a Registered Professional Reporter 21 and Notary Public in and for the State of 22 New York. 23 24 25

		·····	""""	
		2 :		4
2	APPEARANCES;	:	1	
ذ	M. BOUGLAS ISAYWOODE, (EQ	:	2	
4	Attorney for Pigint #3		3	ADAM M. PRYCE, having been
	71 Mapia Street Kings Chantellery		4	duły sworn by the Notary Public
	Sirocklyn, Mew York (1)225-5005		Š	(Donna A. Metz), was examined and
6 7			6	testified as follows:
е	SERRICK, PERSTERA (1,9	:	7	EXAMINATION
	Attomised for Defendants Receit W. Servey, Physis M. Seavey, Avery B.		₿	BY MR. KELLY:
9	Snavey, Neede & Seavey, Princip Dendry, Calton Menagement Company, 134, and		9	Q. Good marising, Mr. Pryce.
20	One Seavey Organization		10	Good morning, Mr. Kelly.
11	2 Park Avenue New York, New York 19016	:	11	Q. Obviously you know my name.
12	6v R. DARREN TRAUB, ESQ.,	:	12	This morning, we will be asking you
33	of Counsel (Nie No. 5965-004)		13	a few questions regarding your engagement with
34	·	:	14	Mr. Edmonds.
25	Witskir Elser Moskowitz Edelman B. Droker (I.P.	:	15	If at any time you don't understand
16	Altoroseys for Defreudant Morks Pacelin & Sheon	:	16	my question or you don't hear my question,
27	1 Gannett Orive		17	please let us know.
19	Vicito Praios, New York 10504-3407	:	18	If you answer the question, we will
1	By: WILLIAM I. KPILY, 65Q.,	-	19	assume you understood the question and that
19	of Courtsel (File No. 01439.083,48)	- 3	20	you are responding to that question.
20 21		- 1	21	Does that seem fair to you?
	ALSO ARESENT:	3	22	A. Yes.
22	JOHN C. EDMONS		23	Q. At any time you would like to take a
23	PHYSICS M. SCAVEY	3	24	break, please let us know.
24 25		- :	25	Are you represented by counsel here
		3		
	`	.		5
1		i	I	Adam M. Pryce
2		:	2	today?
3	STIPULATIONS:	i	3	THE WITNESS: Am I?
4		:	4	MR. HAYWOODE: I have explained to
5		:	5	Orley, I did not talk to you, I do not
6	IT IS HEREBY STIPULATED AND	i	6	represent you. I represent John Edmonds.
7	AGREED by and between the attorneys for	÷	7	If you wish to be represented by
8	the parties hereto that sealing and	÷	6	counsel you may do that, but yesterday
9	filing of the within deposition be and		9	Orley determined that he would not be
10	the same are hereby waived; and that the		۵	represented.
11	transcript may be signed before any		.1	You may do the same.
12	Notary Public with the same force and		.2	I will listen to what is said,
13	effect as if signed before the Court.		.3	I will object in the interest of
14	*** ** ***		4	John Edmonds, but I am mindful that you
15	IT IS FURTHER STIPULATED AND		.\$	are a witness put forward by my client
16	AGREED that ail objections, except as to		6	John Edmonds.
17	the form of the question, shall be		.7	THE WITNESS: Okay.
18	reserved to the time of trial,		.0	A. I take the same position that Orley
19			9	took yesterday.
20	_		0	Q. Can you tell me a little bit about
21	000		1	your educational history?
22		:	2	A. I did my bachelor's in accounting at
23			3	the University of West Indies, Kingston,
24			4	Jamaica.
25		2	5	i did asso the ACCA. That is the

2 (Pages 2 to 5)



3 (Pages 6 to 9)

A. Weil, at that time I have -- while I



25

In 1995 I worked with H & R Block.

	10					
1	Adam M. Pryce	1				
2	was working with Orley I had a position at	2	Adam M. Pryce			
3	FACES New York, Inc., FACES NY, Inc., as a	. 3	A. Audit service, I did one for a			
4	controller.	. 4	school, churches, most not for profit.			
5	This is a company that is a	. *	Q. Other than your work at FACES			
6	not-for-profit organization. Its main service	: 6	New York, as controller, and Adam Pryce, CPA,			
7		. 7	do you have any other professional			
8	is low income housing, HUD assisted projects.	: 8	engagements?			
13	And there's also a limited liab@ty	:	A. Well, when I came to this country I			
9 10	partnership that is owned by Citibank, ESIC	: 9	did real estate. I have a real estate			
11	Enterprise. This is a Citigroup limited	10	broker's ficense,			
12	liability partnership which FACES New York	12	I worked with Century 21.			
13	is the management company, and I'm the controller.	13	Q. Did there come a point in time where			
14			you were a founding member of an accounting			
15	Q. As controller of FACES New York, can	14	firm known as Cameron, Griffiths & Pryce?			
16	you describe your work responsibilities?	15 16	A. Yes,			
17	A. Weil, I'm responsible for overall	17	Cameron, Griffiths & Pryce was			
18	financial management of the corporation,	18	incorporated, I think, June 2007, to do			
19	501(c)3 corporation, including the	19	specifically this job here, this project.			
20	partnership, the limited liability partnership.	20	Q. So Cameron, Griffiths & Pryce has no			
21	•	21	other business purpose other than this			
22	Q. Does FACES New York prepare financial statements that are audited?	22	engagement with Mr. Edmonds?			
23	A. Yes.	23	A. It was formed to do this engagement,			
24	Q. What is your involvement in the	24	yes			
25	preparation of those financial statements?	25	Q. How did you come to learn about the			
F			engagement with Mr. Edmonds?			
	11	•	13			
1	Adam M. Pryce	1	Adam M. Pryce			
2	 Well, I prepare the inhouse 	2	Orley invited me on the project.			
3	financial statements, as independent auditor.	3	Q. What did Orley Cameron tell you			
4	So I'm responsible for arranging the audit,	4	about the project when he invited you?			
5	overseeing it.	5	A. Well, he told me that Edmonds had			
5	Q. Is your work as controller for FACES	6	certain concerns about distribution.			
7	New York a full-time position?	7	Q. Did he tell you anything else?			
8	A. It's a full-time position, yes.	8	A. No, distribution, and he wants an			
10	Q. Do you have any other employment	9	audit to be done.			
11	other than your work at FACES New York at the	10	Q. What did you say in response to			
12	current time?	21	Mr. Cameron?			
13	A. Yes.	12	A. Well, I said I will join the team.			
3.4	I have a public company a public	13	Q. At that point you were engaged by			
15	accounting firm, Adam Pryce, CPA.	14	Mr. Edmonds to conduct an audit, is that			
16	Q. How long have you had a public accounting firm Adam Pryce, CPA?	15 16	correct?			
17	A. I think since 2005.	17	A. Can you repeat that?			
18	Q. And what type of work does Adam	18	Q. At that point you were engaged by			
19	Pryce, CPA do?	19	Mir. Edmonds to conduct an audit?			
20	A. I do audits, small audits. I do	20	A. A financial audit.			
21	compilation.	21	We were engaged to do a financial audit,			
22	I review engagements, income taxes,	22	Q. What is a financial audit?			
23	financial planning.	23	A. A financial audit is one in which we			
24	Q. What type of clients does Adam	24	follow GAAS, generally acceptable accounting			
25	Pryce, CPA provide audit services for?	25	standards auditing standards, which is set			

4 (Pages 10 to 13)



Adam M. Pryce

by the AICPA, GAGAS in this case, which is

in this case, and GAAP, general accepted.

So we follow GAAP, we follow GAAS,

Q. What steps did you take in planning

We didn't get a trial balance. This

We use this trial balance to do the

was very strange because usually the system

planning and the preliminary analytic review.

Q. In preparing for the audit, did you

A. Ail guides we do 40 credits per

We consult also the HUD, the

government project, because we notice that

A. Well, first we visited the Dalton

Management, and first thing we asked for,

accounting principles, GAAP, G-A-A-P.

and we follow GAGAS.

produces a trial balance.

what we consult.

consult any professional guide?

for this audit?

trial balance.

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1	Adam M. Pryce
2	three of them were HUD assisted projects.
3	Q. Just to clarify for the court
4	reporter, HUD is H-U-D?
5	A. Yes, HUD, yes.
6	MR, HAYWOODE: Housing and Urban
7	Development Corporation.
₿	THE WITNESS: Yes.
9	Q. GAAP is G-A-A-P, all capital
Ů.	letters?
1	A. Yes.
2	Q. GAAS is G-A-A-S, all capital
3	letters?
4	A. Umrhem.
5	Q. And GAGAS is G-A-G-A-S, all capital
6	letters?
7	A, Yes.
8	 Q. Prior to your involvement with
9	Mr. Edmonds, had you audited any clients that
0	were subject to HUD regulations?
1.	 I have not audited with HUD
2	regulation, but I have the experience, seven
Ξ.	years as a controller with a project that are
4	HUD assisted projects.

Q. For projects that are HUD assisted,

when you are auditing, two years comparison.

If the corporation is in business for at least two years, you need to have two years in order to do proper planning because. you are comparing, like for example, salary, contract, expenses, against rental revenue, the percentage. You want to see if it's consistent over the years.

If it's 80 percent here, 70 percent there, then you have to examine why has it. changed. So you need to have at least two years comparison.

Q. When you were first engaged by

5 (Pages 14 to 17)



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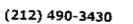
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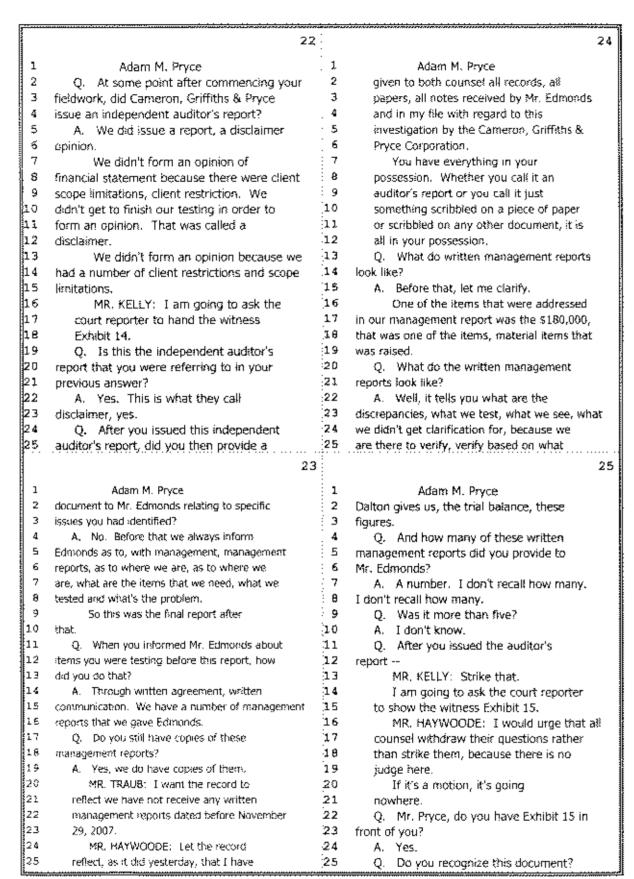
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Į.		18	20
	1 Adam M. Pryce	:	
	2 Mr. Edmonds, did you enter into an engagement	nt :	Agent St. Stace
ı	3 agreement?		For example, there was \$180,000 in accounts payable. In Daiton books it says it
#	4 A. Yes, We had an engagement	:	THE PROPERTY OF STANS IT STANS IT
i	5 agreement, yes.	:	4 belongs to Dalton Management, and we did test 5 that and we found that was not Dalton
H	6 Q. Do you still have a copy of that		6 Management. It's for the partners.
	7 engagement agreement?	:	7 Q. Who told you it was for the
ı	8 A. Yes, we have the engagement. Yes.		B partners?
#	Q. After you began your engagement,	:	9 A. Well, I think Orley and Sandra
ы	10 what steps did you take next to do the	:1	O confirm with Ron.
11	11 engagement?		1 Q. With Ron Dawley?
12	 A. Okay. When we got the engagement, 	1	A. Confirm with Ron and Edmonds. A. Confirm with Ron and Edmonds.
41	1.3 the next step was to do the fieldwork.		3 Edmonds says it's for the partners.
EI	14 Q. What do you mean by "fieldwork"?		4 Ron, I don't know. After we found
- 11	1.5 A. Fieldwork, that is to go to the	1	AND TODAY KNOW, ARREI WE TOURD
13	16 client and then do the testing. We have to do	1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
36	2.7 a sample, based on our analytic procedure.	Į	
	1.8 based on the fluctuation, if there is	1	THE BOOKS IT SOID TOLD BUILDING
11	19 fluctuation.	1	how, if a vendor gives an invoice, how is it
FE	We compare previous years and we do	.2	in the second divide by the fill of the second divide by the second divide divide by the second divide divi
11	?1 testing based on the fluctuation. We	2	The second of th
14	22 determine high risk areas to be tested.	2:	2 A vendor gives an invoice. So we
21	That is our professional judgment,	2:	3 couldn't get invoice. We tried to test the
Et	4 based on our professional judgment.	2.	and the fact that the fact the fact that the fact that the fact that the fact that the
2	95 Q. How many times did you go and do	2.	stated in the invoice, \$180,000, in Dalton,
		 L9 :	Partial distribution of the partial
		139	21
11	1 Adam M. Pryce]	L Adam M. Pryce
	2 fieldwork? 3 A. How many times? Many times	2	when in fact further that was a great mystery,
	The state of the s		and that was a third-party transaction,
EF	2 Start Course (right,	- 4	related party transaction, which is not an
13	e. The more well a sangred unich:	: \$	arm's length transaction and was not disclosed
10	A. I don't think it's one hundred times.		in the audit report.
#	CIVICO.	: 7	in doesn't matter the Albonat'
:1	Q. Do you maintain records reflecting what you did on a particular day in connection	8	molecula porty transaction should be trisclosed.
l	with this engagement?	9	6- you wentioned in Anda bleasons !!
1	and and angularitesit.	10	Answer over the Editiones acknowledges that the H
1	2 terms of testing, we have documentary evidence	11 12	was an a superior and bankliers, is tage Apply
I.	A CAMPAGE ACCOUNTS A CAMPAGE OF THE PARTY OF	13	<u></u>
1.		13	
1		15	4. How are you det mor mynerstationals 3
1	6 Q. Yes, timesheets or time logs.	16	A week one) costoboraceo, my partner
1	7 A. No. Our engagement was a fixed	17	Corroborated, and I think he corroborated with
11	8 engagement, fixed fee.	18	Seavey as well, like 180,000.
1:	 Q. What documents did you request from 	19	Q. So Orley corroborated that \$180,000
2(Daiton Management at the beginning of your	20	was due to the partners with both Mr. Edmonds and the Seaveys?
23	1. fieldwork?	21	A. Yes.
22		22	11
23		23	Q. Who was in charge of the engagement for Cameron, Griffiths & Pryce?
24	in particular?	24	A. Orley is the lead partner in the
25	5 A, Yes.	25	engagement.

6 (Pages 18 to 21)





7 (Pages 22 to 25)



1			
1	Name III A	26	28
2	Acourta, Flyce		l Adam M. Pryce
3	163.		2 make management decisions.
4	4: Mide is ship doeds Helle,		3 When you have audit services, must
5	The same document to hom Casterby.	:	be the de minimis rule, says that less than 40
			5 hours, maximum of \$5,000.
6 7 8 9	Edmonds.	:	6 We see, for example, at Lakeview,
1 4	 Q. What is the purpose of this 		for example, where there was a contract from
1 2	document?	:	B DHCR for \$34,000 and there was \$108,000
9	 A. The purpose of this document is to 		9 charged, a difference. We considered that as
	the state of the s	3 (overreaching.
11	above entities, and then it refers, on which	1	
12	we base no opinion, and saying that this is	1:	to GAGAS.
13	solety for tahouse use.	13	
14		16	you referred to when you said you saw evidence
15		15	of independence issues?
16	Q in which you express по opinion	16	
P 7	with regard to your audit work	1.7	
₽₽	 This is the disclaimer opinion. 	18	is that you test management estimates.
Д9	Q have you modified that disclaimer	19	Management makes estimates. You
17 B 9 20 21	of opinion in any way since you issued these	20	THE PROPERTY OF THE PROPERTY O
21	documents?	21	and assumed to make sure the estimates
22	 No, we have not modified the 	22	are recognitioned accomplish to bitolessious
23	disclaimer because of scope limitations.	23	-40.00000000000000000000000000000000000
24	We have not been satisfied based on	24	and or such editing tilestor tot DHICK Maz
25	what we tested, based on issues surrounding		was not made by Dalton, but it was done by the
•		27	the mark by backs, but it was doile by the
1		- 1	29
2	Adam M. Pryce	1	Adam M. Pryce
3	independence, independence of external	2	auditor. And the estimate was done by the
4	auditors and who was doing the accounting,	; ₃	external auditor.
5	issues of independence. That's very important.	4	Q. Anything else?
6	•	: 5	 A. That's one of the examples.
7	We saw evidence, appearance of	6	There are a number of other things
8	independence, based on GAGAS, based on GAAP,	7	which there is a pattern at Lakeview, in.
9	based on GAAS, and we weren't satisfied with	. 6	for example, Church Home, for example, where
10	some of these. So we couldn't we made no opmion. We still have disclaimer of opinion.	. 9	we have the exact contract amount exceeded
11	M9 HAVMOODE Wasses for the control of the control o	2.0	over \$5,000, the de minimis rule as well.
12	MR. HAYWOODE: We were dissatisfied, Ms. Metz.	11	Q. Anything else?
13	TidE WITNESS: We were not satisfied.	12	 Those are examples.
14	MR. HAYWOODE: "We were not	13	Q. Whea you said you saw evidence, I
15	satisfied." Dissatisfied.	14	just want to know what evidence you saw.
16	We still stick with the disclaimer	15	A. I gave you two evidences.
17	of opinion.	16 17	Q. Anything else?
īB	Q. You said you saw evidence regarding	:	A. The others this audit was done
19	independence issues?	18	over a year ago
20	A. Yes.	19	MR. HAYWOODE: Objection to any
21	Q. What evidence are you referring to?	:20	question
22	A. Okay.	21	A. ~ so I can't remember everything
23	GAGAS mentions two overreaching	22	that you want me to remember, but I give you
14	principles.	23	examples.
25	One is auditors are not supposed to	24 25	MR. HAYWOODE: I withdraw my
	теления по постаррожен со	~ 2 2	objection.

9 (Pages 30 to 33)

A. Yes. These are the questions from



25

Dawley who referred them because of

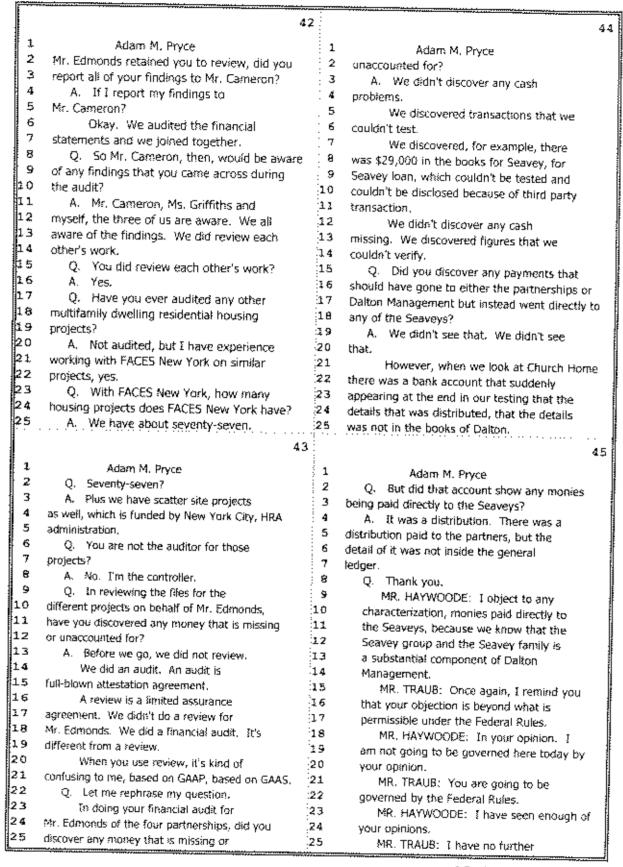
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1	Adom to D		36
2	naest n. rsyte		1 Adam M. Pryce
3	The state of the s	5e :	2 informed by Bill Kelly that he has an
4	11010 133864, (63.	:	3 assignment this afternoon in the federal
5	A- Unit anderstatished ABA COLLECTION	:	district courts and must leave before one
6	The Application of Application of the Application o	:	5 o'clock, and that when apprised of that
7	Agentica buos co disa baltifosial Ovició	:	6 information and at Mr. Kelly's direction,
8	→ T GOLL KIROM MUIST ADFI WESS PA	:	7 we advised Ms. Griffiths not to come.
9	3272,44		B She is ill and has been somewhat
13	A DIO ADD 12306 DIEAMON GOLDMESEZ		9 ill, but she was prepared to come and
10	ammer to any bitol to despitate	1	o give her testimony this morning.
11	A. I don't knew if it's prior to	.1	MR. KELLY: And let me also just
12	and age every Mele issued by 02 to 1049	1	2 clarify for the record that Ms. Griffiths
13	201-1011451	1	was subpoenaed to appear yesterday and we
14	I don't know if there were	1	were informed that she was ill.
15	previous. I didn't count them,	1	So har denocities had been a
15	 Q. After the date of this document, 	1	So her deposition had been adjourned on that premise.
17	December 12th, 2007, did you or Cameron.	1	
18	Griffiths & Pryce prepare similar documents	14	The work amorated which we appeared it
19	updating the findings in this one?	IS	here this morning that Ms. Griffiths was
so	A. Well, this is December 12th, 2007.	:20	available for this aftersition, and as ;
21	50 this is after the audit report. This is	21	more and a was usavaliable, and I'm
22	after the audit report.	22	age to with Mork regerter to teschedible
53	Yes, we did update Edmonds. We did	23	achonyou at the Bediest Oben Gate
24	upđate Edmonds.	24	ie. da 61 (45,
25	Q. After you issued Exhibit 15 on	25	THE THE MOODE, 1 SIMBLE WORK IF
			together with you.
		35	37 🖡
1	Adam M. Pryce	1	Adam M. Pryce
2	December 12th, 2007	. 2	EXAMINATION EXAMINATION
3	A. Yes.	3	BY MR. TRAUB;
4	Q did you provide additional	4	Q. Good morning, Mr. Pryce.
5	written updates to Mr. Edmonds?	5	A. Good morning,
6	A. I can't recall.	6	Q. My name is Darren Traub, I
7	Because, remember, we were given	7	represent the other defendants in this action
8	some documents after we came here. I think we	8	other than Marks Paneth & Shron and I just
9 10	came two places. So we did update it. So	9	have a few followup questions for you.
11	this is the update.	10	You stated that you have a full-time
12	Q. Do you recall any additional update	11	job at FACES New York, Inc. as a controller;
13	after this?	12	is that correct?
14	A. No.	13	A. Yes.
15	MR. KELLY: I think I may be	14	Q. Does FACES know that you also have a
16	finished,	15	job with with Cameron, Griffiths & Pryce?
17	(Pause.)	16	A. Well, I'm a partner of Cameron,
18	MR, KELLY: I am finished with my	17	Griffiths & Pryce,
19	questioning.	18	Q. And did you disclose your
20	MR. HAYWOODE: For the record, let	19	partnership interests in Cameron, Griffiths &
	me indicate that Sandra Griffiths, the	20	Pryce to FACES New York?
21 22	third partner, had indicated her	21	A. If I disclosed it? Yes.
	intention to be present this morning and	22	Q. So they are aware of the project you
23 24	she was ready and willing to be deposed	23	are handling for Mr. Edmonds?
24 25	in any order or at least after	24	A. Of course,
	Mr. Pryce's testimony, but we were	25	Q. And you stated that FACES New York
			- And appropriate Lyces Mem Aous

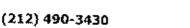
10 (Pages 34 to 37)



	3	0	
	3	8 ; ;	40
1	Adam M. Pryce	1	Adam M. Pryce
2	is involved with the project called HDFC, is	2	governmental institute?
3	that correct?	∵ 3	 I am familiar with HUD.
4	A. The HDFC building, it reports on HUD	4	Q. HUD is the entity which you are
5	as well,	∴ 5	familiar with?
6	Q. I believe you testified	: 6	A. And DHCR works with HUD. That's the
7	A. By the way, because MDFC is on DHCR	7 🤄	state.
8	as well.	- ₽	 Q. What about any other governmental
9	Q. You also said that HDFC is regulated	. 9	regulated agencies, are you familiar with any
10	by BHCR, is that correct?	10	other ones other than HUD?
11	A. Yes,	11	A. I don't know. You mean
12	Q. What is your involvement with HDFC?	12	MR. HAYWOODE: 1 object.
13	A. I don't know. I don't understand.	13	A. iden't know,
14	You mean in terms of what?	14	MR. HAYWOODE: I don't know that is
15	Q. Are you also do you do the	1.5	appropriate.
16	accounting for the books and records of HDFC?	16	A. I don't know what you're driving at.
17	A. Yes. HDFC is a MUD project, which I	17	Q. My question is you said you are
18	do the books for.	18	familiar with HUD.
19	Q. So you do work with DHCR also	19	Are you familiar with any
20	A. No.	20	A. No. Let me expiain what I said.
21	Q for HDFC?	21	I do the accounting for FACES
22	A. No. I work with FACES New York,	22	New York, HUD assisted projects.
23	That is a HUD assisted project.	23	I do not have any personal contact
24	 Let me rephrase my question. 	24	with anybody of DHCR or HUD.
25	On behalf of FACES New York and on	25	Q. What about with any other state or
	2 É)	41
1	Adam M. Pryce	1	Adam M. Pryce
2	behalf of its project HDFC, do you have	2	legal governmental agencies that regulate
3	contact with DHCR?	3	multifamily housing projects?
4	A. No, I don't. I don't have any	4	A. I don't have any personal contact
5	direct contact with DHCR.	5	with any of them.
6	 Q. Who is responsible for the direct 	6	Q. You also stated that Mr. Cameron
7	contact with DHCR for the HDFC project?	7	asked you or said you should join the team,
8	 A. Well, the executive director. 	្ន	and you did, and the team you referred to is
9	 Q. Other than the current project, have 	: 9	Cameron, Griffiths & Pryce, and you formed the
110	you ever audited a project that is regulated	10	entity Cameron, Griffiths & Pryce for the
11 12	by Mitchell-Lama?	11	purpose of conducting the audit of the
13	A. No.	12	projects for Mr. Edmonds; is that correct?
14	Q. Other than the current project, have	13	A. Yes,
15	you ever regulated have you ever audited a	14	Q. Did you put a capital contribution
26	project that is regulated by HDC? A. HDFC?	15	into Cameron, Griffiths & Pryce?
F,	Q. HDC.	16 17	A. In initiating the formation.
18 18	A. What HDC mean?	18	Q. What was your initial capital
119	Q. Are you not familiar with the term	19	contribution?
20	HDC?	20	A. I put in the fees, the state fees. Q. You, personally, put up the fees?
21	A. I don't knew what is HDC. I am not	21	Q. You, personally, put up the fees? A. Yes, I put in the fees as well
21 22	familiar with HDC.	22	A. Yes, I put in the fees as well. Q. In reviewing
23	What is that? HDC can mean many	23	A. In initiating the formation. Q. What was your initial capital contribution? A. I put in the fees, the state fees. Q. You, personally, put up the fees? A. Yes, I put in the fees as well. Q. In reviewing MR. YRAUB: Withdrawn. Q. In auditing the projects, and by that I mean the four partnerships that
24	things. I don't know. Clarify that,	24	Q. In auditing the projects, and by
25	Q. Are you familiar with the	25	that I mean the four partnerships that



12 (Pages 42 to 45)



[
	4	6		48	3	
I	Adam M. Pryce	:	1	Adam M. Pryce		
2	questions.		2	which are directly addressed by the		
3	Since we are on the record, I want		3	documents that you were conceasing, and		
4	to state on the record at 5:35 yesterday		4	on Sunday when I indicated to you that I		
5	you filed a motion for sanctions and to		5	could not proceed with any further		
6	compel documents that had been produced	:	6	deposition unless I heard and found what		
7	to your office more than seven hours	:	7	those documents were, what did you do?	:	
8	prior to the filing of your motion.		8	You didn't send it to me Sunday, but		
9	I also pointed that out to you in an	:	9	you knew it and you had it.		
10	email after you filed.	1	Ů	You didn't send it to me or tell me		
11	MR. HAYWOODE: I missed what	1	1	Monday morning when I said send me the		
12	Mr. Traub said about seven hours,	1	2	documents and the deposition of		
13	Ms. Metz.	1		Ms. Seavey will ensue. You didn't		
14	Could you read it back?	1	4	respond to that.		
‡ 5	(Whereupon, the requested portion	1	5	Your response was to make a motion	1	
16	was read back by the reporter.)	1	6	for sanctions at the end of the day at		
17	MR. TRAUB: Your motion. And I	1		5:30 with nothing further.		
18	asked you to withdraw or correct the	1		When I came here yesterday you		
19	statements in your motion to compel	1		didn't bring the documents to me and give	1	
20	documents in your statements that you had	2		them to me, if you intended me to know it	ĺ	
21	not yet received those documents, as they	2	1	or to have it.	ŀ	
22	were untrue, and I have not heard a	2:		The questions I raised before the		
23	response from your office yet.	2	3	magistrate is why a lawyer would conceal	1	
24	So I want to ask on the record, do	2.	ā	documents, represent they had nothing to	1	
25	you intend to withdraw your motion filed	2	5	do with the deposition that Mrs. Seavey		
	4'	γ				
1				49		
2	Adam M. Pryce		£	Adam M. Pryce	1	
3	Seven hours after the production of documents?	:	2	was about to give?		
4	MR. HAYWOODE: Mr. Traub, what time		3	Why would a lawyer do that when in	ı	
5	did you produce the documents that you		4	the midst of the document are documents		
6	say you produced to my office?			which contravene allegations made by him		
7	MR. TRAUB: 10:11 a.m.		_	and his client in three or four lawsuits		
8	MR. HAYWOODE: Where was I yesterday	. E		that I know of, especially this one?	ı	
9	at 10:11 a.m.?			You argued before the magistrate	H	
10	You know I was here with you	10		certain circumstances which are directly	i	
11	yesterday.	11		contradicted by the documents that you	ı	
12	MR. TRAUB: Until one ofclock.	12		submitted to my office sometime yesterday	1	
13	MR. HAYWOODE: Until one o'clock, so	13		when I wasn't home, there.	-	
14	if you served something on my office on	14		Particularly, the motion made to the magistrate raises the question as to why		
15	that morning and I wasn't there, I didn't	15		you would write a 21-page affidavit		
16	see it.	16		complaining about our inability to		
17	The documents the motion was made	17		proceed to the depositor of Mrs. Seavey	1	
18	prior to my knowledge that you had served	18		because we say we wanted to see the	Ħ	
19	papers which we had asked for as long ago	19		documents being held since Thursday, the		
20	as Thursday, the 16th, which were	20		16th, and never produced to the		
21	withheld from us, which we requested on	21		magistrate the documents that you say you	1	
22	Sunday afternoon after you deposed	22		produced to me one day later.	Î	
23	Mr. Edmonds for five hours on Friday, the	23		That looks to me like a deliberate		
24	day after we asked for the documents, and	24		effort to conceal evidence, to force a		
25	you put a series of questions to him	25		deposition under discumstances where I	F	

13 (Pages 46 to 49)



<u> </u>			
	5	0 :	52
1	Adam M. Pryce	1	Adam M, Pryce
2	knew on Thursday, so far as I could see,	: 2	then informed you, at 5:38 p.m.
3	that the documents that you were	. 3	yesterday, that your motion was incorrect
4	spiriting and hiding away are documents	4	because your office had already had the
5	which directly related to the testimony	. \$	documents. You never responded, which is
6	to be given by Miss. Seavey and any other	6	why I am now giving you a chance on the
7	defendant.	7	record to state whether or not you will
∦ 8	And I don't understand that	: 8	withdraw your motion that was filed seven
9	professionally, counselor. I have a	9	hours after the documents had been
10	professional problem with that.	10	produced to your office.
11	MR. TRAUB: Exactly, Mr. Haywoode.	11	That's the only question I am posing
12	The professional problem I have is	.12	to you.
13	the abundant misstatements that come	13	MR. HAYWOODE: I say again, the
14	out of your mouth without any factual	14	question raised in my motion was why this
15	knowledge whatsoever,	15	document wasn't presented to us Monday
16	First of all, you should know that	16	morning before the deposition of Phyllis
127	the first time that I was told that you	17	Seavey.
18	were actually missing documents was in	1.0	MR. TRAUB: Because you didn't show
19	your e-mail Sunday night.	19	up for the deposition, Mr. Haywoode.
20	In fact, I had not seen the	20	MR. HAYWOODE: I am speaking.
21	documents antil Monday morning.	21	I want to know why the document
22	At that time, we began to review	22	wasn't given to us Thursday afternoon at
23	them, Bates label them, and prepare them	23	the time we requested. This recent
24	for production to your office.	24	fabrication about Bates numbering is
25	I had not known anything Thursday	25	ridicalous.
1	5:	1	53
1	Adam M. Pryce	1	
2	afternoon and in fact the investigation	2	Adam M. Pryce
3	and review of those documents were	3	MR. TRAUB: Did you request
4	continuing by your office on Friday and,	4	documents from my office?
5	as far as your e-mail made it sound like	5	MR. HAYWOODE: Hundreds of pieces of paper have been exchanged by all the
6	to the magistrate, Saturday and Sunday.	6	parties in boxloads and you will not see
7	So we were not going to continue to	7	a Bates number on any one of those
8	piecemeal photocopies for you. We were	8	hundreds, maybe several thousands of
9	going to wait for you to tell us	9	pages, not a Bates number on one of them.
10	everything you wanted, photocopy them	10	This was nothing but a contrivance
11	at one time, and produce them to you,	11	to suppress evidence directly relevant to
12	just like we have done twice in the past.	12	the cross-examination that you did of
13	In addition, you should note that	3.3	Mr. Edmonds. The very following day
14 15	both the document production that have	14	while we were waiting for those documents
	occurred to your office in the past	1.5	you gut a series of questions to John
16	occurred through my office, after we	16	Edmonds concerning his ownership of
17	reviewed them and were able to determine	:17	shares in these corporations which were
18 19	whether or not any of the documents were	18	directly contravened by the documents
30 7 A	privileged, confidential, or how they	19	that were being suppressed and held, and
20	need to be produced.	20	you continued to hold them, and even when
21 22	That is the way discovery occurs in	21	you went to the magistrate with your
23	both state and in federal court.	22	21-page production, you did not include
	Moreover, regardless of whether you	23	the documents,
24 25	knew the documents had been produced to	24	Why not before the magistrate?
	your office at 10:11 a.m., at the time I	25	Because then the magistrate might have

14 (Pages 50 to 53)



15 (Pages 54 to 57)



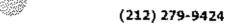
	56	3 :	60		
1	Adam M. Pryce	. 1	Adam M. Pryce		
2	something,	2	EXAMINATION		
3	MR. HAYWOODE: Oh, one further	3	BY MR. HAYWOODE;		
4	thing.	4	Q. Mr. Pryce, let me try to get a fix		
5	Did you not say that Mrs. Seavey	ું 5	an this.		
6	would be unavailable after the 20th and	6	You and your associates looked at		
ļ "	will not be here and would be unable to	. 7	the 2006 books of these corporations at one		
8	be deposed?	8	point; is that correct?		
9	Mrs. Seavey was certainly here today	9	A. Yes.		
10	and yesterday.	10	Q. Is it your testimony that when you		
11	Did you not say it was difficult to	11	looked at the books and you tested areas, you		
12	get to this place, when her office is	12	were क्षाबकोंन to come to any condusion because		
13	right across the street, and when I said	13	you could not see the supporting evidence to		
14	let's do the deposition here as a	14	support the areas of testing that you		
15	courtesy to the Seaveys, who I have known	15	conducted?		
16 17	for many years, so it is convenient to	16	A. Yes.		
18	them rather than have them come out to my	17	MR. KELLY: Objection.		
19	office?	18	Q. Is that what you said?		
20	MR. TRAUB: Mr. Haywoode, I think this is the problem.	29 20	A. Yes. There were material areas that		
21	MR. HAYWOODE: This has nothing to	21	we couldn't get evidence, we couldn't form อก		
22	do with the deposition record.	22	opinion.		
23	I don't know. If you want to keep	23	Q. Now, sir, when these		
24	it on, go ahead.	24	MR. HAYWOODE: I withdraw that,		
25	You said what you wanted to say. I	25	Q. This is not an unusual circumstance for an auditor; is it?		
ļ					
	59	'	61		
1	Adam M. Payce	1	Adam M. Pryce		
2	said what I wanted to say.	2	MR. KEŁŁY: Objection.		
3	MR. TRAUB: I will just correct the	: 3	A. Well, first thing, the system didn't		
4	misstatement.	4	produce a trial balance.		
5	My comment was that Mrs. Seavey	5	We saw a number of adjusting journal		
6	would be unavailable over the course of	: 6	entries, correcting journal entries at the		
7 B	the next two weeks.	7	yearend which were above the normal		
	There were depositions scheduled	8	requirement, five adjusting entries that the		
9 10	yesterday so Mrs. Seavey's deposition could not be held.	: 9 :10	auditors usually propose, five to ten. That's		
11	There was a deposition scheduled for	:11	a normal audit.		
12	today.	12	We saw over twenty journal entries at least each year.		
13	I stand by my statement to the	:13	it suggests that there was		
14	magistrate, as I presume you do as	14	deficiency in the internal control of the		
15	well,	15	auditor.		
16	I have nothering further for this	16	Q. Would you describe those		
17	witness and there are no questions in	17	deficiencies?		
18	front of him.	18	Deficiency and a number of entries		
19	THE WITNESS: May I say something?	19	that Dalton should have made, because Dalton (
30	MR. TRAGS: No. There is no	20	understand was using cash basis of accounting		
21	question.	21	but that was confusing, because if you use		
22	THE WITNESS: Can I say something?	22	cash base of accounting you do not record		
23	MR. TRAUB: No.	2.3	receivables or payables.		
24	MR. HAYWOODE: I wish to examine the	24	We saw receivables in Dalten's book		
25	witness.	25	and yet it was confusing.		

16 (Pages 58 to 61)



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17 (Pages 62 to 65)



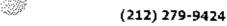
18 (Pages 66 to 69)

MR. KELLY: Objection.

25

MR, KELLY: Thank you.

19 (Pages 70 to 73)



			
	74	\ : :	76
1	Adam M. Pryce	: 1	Adam M. Pryce
2	on some of the questions Mr. Haywoode just	2	Ron Dawley?
3	asked you.	⊹ 3	A. Yes.
4	A. Yes.	: 4	Q. Did you hear testimony at those
5	 Q. Can you identify any statement or 	5	depositions that Ron Dawley was the individual
6	section of GAGAS, GAAS or GAAP that requires	6	who physically made the journal entries?
7	a letter to go from the auditor to the	7	MR. HAYWOODE: Objection to leading
8	ारकाववुद्यानार regarding adjusting journal	: 8	the witness.
9	entries?	9	A. No.
10	A. Well, it's normal practice. If you	10	Q. If you were told that Mr. Dawley
11	look on any requirement that the auditors	11	would take the adjusting journal entries from
12	are supposed to go, that is one of the	12	a sheet provided by the accountant, sit at a
13	requirements that this is the practice in the	13	computer, make the journal entries he thought
ŧI .	accounting profession.	14	were appropriate, would that satisfy you that
15 16	Q. Are you testifying that it is a	15	management was making the adjusting journal
17	practice in the accounting profession for a	16	entries?
18	letter to be sent from the accountants to	17	MR. HAYWOODE: Objection.
19	management for the adjusting proposed journal	18	Calls for a hypothetical.
20	entries?	19	A. Let me explain
21	A. Let me say this. Let me go back.	20	MR. HAYWOODE: Calls for testimony
22	There are two letters that the	21	concerning facts not in evidence.
23	accountants prepare at the end of an audit.	22	A. When you do an audit, there are
24	One is called a management representation letter.	23 24	matters that the client did not see and you go
25	That letter is supposed to be on the	25	there, and following GAAP, GAAS, you propose
,		.,23.	entries.
	75		77
1	Adam M. Pryce	1	Adam M, Pryce
2	client's letterhead, telling the CPA that they	2	If you propose these are called
3	have kept proper accounting records, they have	3	proposed. Then they have to be approved by
4	complied with the law, they have done that,	: 4	the client.
5	and that has to be on the client's letterhead,	5	You have no authority. That is
5	similar with this proposed journal entry.	6	management's decision.
8	That has to be on the client's letterhead,	7	You have no authority to book
9	saying we approved the journal entries.	B	something in the client's baoks without
10	Because these are proposed, the auditors can	9	getting the approval of the client.
11	only propose. They are not supposed to	10	Q. Do you have any knowledge that
12	make the journal entries and book them like that.	11	anyone at Marks Paneth & Shron entered
13		12	anything into the books of any of these
14	Q. Who made the journal entries for the partnerships?	13 14	partnerships?
15	A. Who made the journal entries? We	15	A. When we look on the financial
16	saw a number of journal entries made by the	16	statement of Marks Paneth & Shron and compare
17	auditor.	17	to Dalton, there is a wide gap between the figures.
18	Q. How do you know they were made by	18	One of the requirements of the
19	the auditor?	19	auditor, when you start an audit, you need to
20	A. Well, we saw the auditors on them.	20	audit the previous balance to make sure the
21	They have the auditors' letterhead here.	21	Client books them.
22	Q. Were you present at the deposition	22	We don't do that.
23	of Mr. Jennings?	23	We see, for example, like Seavey
24	A. Yes.	24	loan coming from way back in the books and no
25	Q. Were you present at the deposition of	25	adjustment was made, that 29,000, no
*****		·	2

20 (Pages 74 to 77)



21 (Pages 78 to 8%)

deficiency, internal control deficiency.



25

adjusting journal entries as being excessive?

22 (Pages 82 to 85)



dide't reconcile.

23 (Pages 86 to 89)



24 (Pages 90 to 92)

(212) 279-9424





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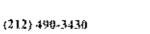
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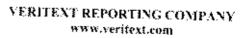


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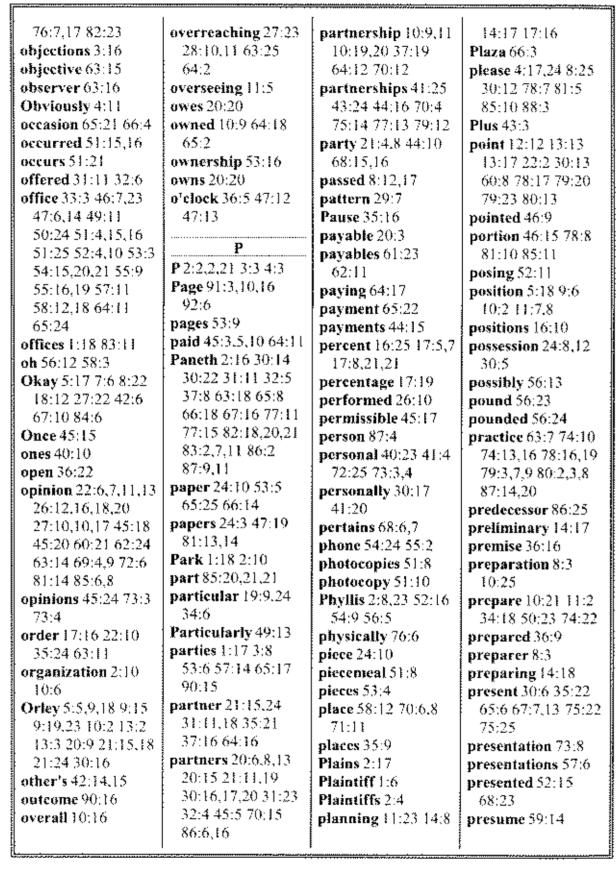


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